

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

UNITED STATES POSTAL SERVICE  
INTERROGATORIES AND REQUEST FOR PRODUCTION OF DOCUMENTS  
TO OFFICE OF THE CONSUMER ADVOCATE WITNESS THOMPSON  
(USPS/OCA-T4-1 THROUGH 6)

Pursuant to rules 25 and 26 of the Rules of Practice and Procedure, the United States Postal Service directs the following interrogatory and request for production of documents to Office of the Consumer Advocate witness Pamela Thompson: USPS/OCA-T4-1 through 6.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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### **USPS/OCA-T4-1.**

Please refer to your testimony, OCA-T-4, on page 3, lines 21-23, where you state:

The letter monopoly exists to hold down rates for the more costly pieces of mail and provide mail service to all. If the monopoly did not exist, people would pay at least what the mail piece costs to process and rates would be set to reflect those costs.

- a. Please explain the basis for your statement that a purpose of the Private Express Statutes is to hold rates down for the more costly pieces of mail. Provide copies of all supporting documents.
- b. Please confirm that, in many postal subclasses and rate categories, irrespective of the application of the Private Express Statutes to matter sent via those subclasses and rate categories, higher cost pieces are averaged with lower cost pieces to establish the basis upon which rates are designed. Please explain if you are not able to confirm.

### **USPS/OCA-T4-2.**

Please refer to your testimony, OCA-T-4, on page 4, lines 1-7, where you state:

However, the monopoly's existence is such that one does not have to give large discounts to those mailers of cleaner mail (automation compatible) and shift more of the cost of the universal service to those mailers who are unable to provide discounted mail. Under the monopoly, those mailers that might otherwise be eligible for large discounts should not be given deeper discounts because First-Class mail exists to provide a reasonably priced mail stream in support of universal service.

- a. Please confirm that Postal Service's Docket No. R2006-1 First-Class Mail rate design proposal targets equal unit contribution from both single-piece and presort mail. If you cannot confirm, please explain.
- b. Please review the revised USPS Library Reference L-129, workpaper WP-FCM-12. Confirm that the Postal Service's Docket No. R2006-1 TYAR Revenues and Costs of single-piece and presort categories within the First-Class Mail Letters and Sealed Parcels subclass actually do result in similar per-unit contributions. If you do not confirm, please explain.
- c. Please confirm that the implicit cost coverages of single-piece and presort categories within the First-Class Mail Letters and Sealed Parcels subclass proposed by the Postal Service in Docket No. R2006-1 are 186 percent and 312 percent, respectively.

**USPS/OCA-T4-3.** Please refer to your testimony, OCA-T-4, on pages 6-7 where you state:

Under the OCA proposal, the consumer still needs to understand the difference between the three mail shapes, but the weight of the mail piece will be less critical given that 99.8 percent of all First-Class letter-shaped single-piece mail weighs between 0 and 3 ounces and a \$0.42 stamp will be sufficient postage.

Please also refer to OCA-T-4, page 7, lines 11-15, where you state:

While the USPS's proposal limits the weight of First-Class single-piece letters to 3.5 ounces, and given the information provided by the USPS, I propose a \$0.42 rate for First-Class letter-shaped mail pieces weighing from 0 to 4 ounces. In addition, if a letter is automatable there is no reason to charge additional ounce rates, because a machinable mail piece is not processed one ounce at a time.

- a. Please provide all cost data or cite to any record evidence in this proceeding that forms the basis for your assertion regarding the “sufficiency” of 42 cents postage for letter shaped pieces weighing between 0 and 3 ounces.
- b. Please provide all cost data or cite to any record evidence in this proceeding that forms the basis for your belief that there is no difference in processing a 3-ounce letter-shaped piece versus a 4-ounce letter shaped piece.
- c. If you have personally observed the processing of letters in a postal facility and are basing your opinion on personal observation, please provide the date and location of the visit and provide copies of any notes of your observations that were recorded contemporaneously with those visits.
- d. Please provide documents underlying any analysis you have performed concerning differences in postal letter mail processing equipment throughput based on differences in the weight and/or thickness of mail pieces.

**USPS/OCA-T4-4.** Please refer to OCA-T-4, on pages 8 and 9 and Tables 1 and 2 where you present the OCA's rate design proposal for First-Class Mail single piece mail and the percent increases for various shapes such as letters, flats and parcels for certain weight increments.

- a. Please confirm that you are proposing a rate of 84 cents for First-Class Mail single-piece flat shaped pieces weighing between 0 and 1 ounce. If you cannot confirm, please explain.
- b. Please confirm that your proposed increase for First-Class Mail single-piece flat-shaped pieces will lead to an increase of over 60 percent for pieces weighing between 0 and 1 ounce.
- c. Please confirm that your proposed rate for First-Class Mail single-pieces flats, when applied to the additional mail processing and delivery costs presented in witness Taufique's testimony (USPS-T-32 at 23, also provided in WP-FCM 14, LR-L-129) will lead to a passthrough of 113 percent of the additional costs for single-piece flats. If you can confirm, please explain fully.
- d. Please confirm that you are proposing a rate of \$1.68 for First-Class Mail single-piece parcel-shaped pieces weighing between 0 and 1 ounces. If you cannot confirm, please explain.
- e. Please confirm that your proposed increase for First-Class Mail single-piece parcel shaped pieces will lead to an increase of over 220 percent for pieces weighing between 0 and 1 ounce.

- f. Please confirm that your proposed rate for First-Class Mail single-piece parcels, when applied to the additional mail processing and delivery costs presented in witness Taufique's testimony (USPS-T-32 at 23, also provided in WP-FCM 14, LR-L-129) will lead to a passthrough of 108 percent of the additional costs for single-piece parcels. If you can confirm, please explain fully.
- g. Please state whether it is your opinion that an increase of over 60 percent proposed by OCA for single-piece flats weighing between 0 and 1 ounce would constitute a rate shock for the mailers who do not have an option of preparing bulk, automation compatible mailing.
- h. Please state whether it is your opinion that an increase of over 220 percent proposed by OCA for single-piece parcels weighing between 0 and 1 ounce would constitute a rate shock for the mailers who do not have an option of preparing bulk mailing.

**USPS/OCA-T4-5.** Please refer to your workpaper OCA-LR-L-5, worksheet 'Rate Design SP Flts & Parcels' and worksheet 'Rate Comparison'.

- a. Please confirm that you have estimated the rate for a First-Class Mail single-piece flat shaped piece of 69 cents using a passthrough of 73 percent, using the same cost numbers (mail processing and delivery) that were used by USPS witness Taufique with a different passthrough. If you cannot confirm please explain.

- b. Please reconcile the 69 cents rate discussed in subpart (a) for First-Class Mail single-piece flat shaped piece with your proposed rate of 84 cents that would also be applicable to a 1 ounce First-Class Mail single-piece flat shaped piece.
- c. Please confirm that you have estimated the rate for a First-Class Mail single-piece parcel shaped piece of \$1.30 using a passthrough of 75 percent, using the same cost numbers (mail processing and delivery) that were used by USPS witness Taufique with a different passthrough. If you cannot confirm please explain.
- d. Please reconcile the \$1.30 rate discussed in subpart (c) for First-Class Mail single-piece parcel shaped piece with your proposed rate of \$1.68 that would also be applicable to a 1 ounce First-Class Mail single-piece flat shaped piece.

**USPS/OCA-T4-6.** Please refer to OCA-LR-L-5, worksheet 'OCA Rates' and to the note in cell 'a58' which states: 'Note: Collapsed SP letters 4 - 8 oz to 4 - 8 oz flats. Also, collapsed SP letters 8 - 13 oz to 8 - 13 oz flats'.

- a. What is meant by this note?
- b. How were the rates collapsed?
- c. Please provide a precise citation to the portion of your workpapers where this operation was performed.